

**CITY OF KECHI, KANSAS**

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**FINANCIAL STATEMENT**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2017**

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**George, Bowerman & Noel, P.A.**  
*Certified Public Accountants*

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**George, Bowerman & Noel, P.A.**  
*Certified Public Accountants*  
*Business Consultants*  
*Tax Advisors*

Epic Center • 301 N. Main, Suite 1350 • Wichita, Kansas 67202 • Telephone (316) 262-6277 • Fax (316) 265-6150

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and City Council  
City of Kechi, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of the City of Kechi, Kansas, a Municipal Financial Reporting Entity, as of and for the year ended December 31, 2017 and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Kechi, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Kechi, Kansas as of December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Kechi, Kansas as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures—actual and budget, individual fund schedules of regulatory basis receipts and expenditures—actual and budget, summary schedule of regulatory basis receipts and disbursements—agency funds (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2016 actual columns presented in the individual fund schedules of receipts and expenditures-actual and budget, (Schedules 2 and 3 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2016 basic financial statement upon which we rendered an unqualified opinion dated June 5, 2017. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note 1.

*George Bowman & Noel, P.A.*

Wichita, Kansas  
February 16, 2018

**CITY OF KECHI, KANSAS**

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
REGULATORY BASIS**

For the year ended December 31, 2017

	Beginning Unencumbered Cash Balance	Cancellation of Prior Year Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 405,032	\$ 42,615	\$ 1,312,348	\$ 1,170,901	\$ 589,094	\$ 13,335	\$ 602,429
Special Purpose Funds:							
Special Street and Highway	259,443	—	127,390	230,945	155,888	74,683	230,571
Capital Improvement	124,932	—	25,000	30,000	119,932	21,000	140,932
Equipment Reserve	47,529	—	30,000	30,750	46,779	30,750	77,529
Bond and Interest Fund:							
Bond and Interest	141,260	—	487,921	488,131	141,050	—	141,050
Capital Project Funds:							
Eden	29,128	—	—	—	29,128	—	29,128
Tigua/Young	1,407,349	—	804,666	1,440,236	771,779	493,070	1,264,849
Business Funds:							
Waterworks Utility	223,975	—	517,704	492,029	249,650	13,483	263,133
Sewer Utility	208,174	—	293,025	313,326	187,873	24,049	211,922
Gas Utility	81,390	—	404,514	402,383	83,521	3,347	86,868
Recycling / Solid Waste	31,303	—	148,104	129,300	50,107	7,424	57,531
Stormwater	—	—	—	—	—	—	—
Waterworks Reserve	205,220	—	14,645	76,284	143,581	30,400	173,981
Sewer Reserve	113,769	—	50,000	4,455	159,314	—	159,314
Gas Reserve	103,228	—	20,000	46,171	77,057	—	77,057
Total Primary Government (excluding agency funds)	3,381,732	42,615	4,235,317	4,854,911	2,804,753	711,541	3,516,294
Related Municipal Entity:							
Kechi Public Building Commission	882	—	93,981	93,950	913	—	913
Total Reporting Entity (excluding agency funds)	\$ 3,382,614	\$ 42,615	\$ 4,329,298	\$ 4,948,861	\$ 2,805,666	\$ 711,541	\$ 3,517,207

CITY OF KECHI, KANSAS

SUMMARY OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
REGULATORY BASIS (continued)  
For the year ended December 31, 2017

<b>Composition of Cash:</b>	
Primary Government:	
Emprise Bank, Wichita, Kansas:	
General checking now account	\$ 472,286
Municipal Investment Pool	3,089,778
Cash on hand	300
Less Agency Funds	<u>(46,070)</u>
Total Primary Government (excluding agency funds)	3,516,294
Related Municipal Entity:	
Kechi Public Building Commission:	
Municipal Investment Pool	<u>913</u>
Total Reporting Entity (excluding agency funds)	<u>\$ 3,517,207</u>

The accompanying notes are an integral  
part of the financial statement.

**CITY OF KECHI, KANSAS**  
**NOTES TO FINANCIAL STATEMENT**

**December 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**Reporting entity**

The City of Kechi is a municipal corporation governed by an elected mayor and an elected five-member council. The financial statement presents the City of Kechi (the municipality) and the Kechi Public Building Commission (related municipal entity). The Kechi Public Building Commission is included in the City's reporting entity because it was established to benefit the city and/or its constituents.

A five-member board appointed by the City Council governs the Kechi Public Building Commission. Although it is legally separate from the City, the Kechi Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The financial activities of the Kechi Public Building Commission are reflected in the Kechi Public Building Commission fund.

**Regulatory Basis Fund Types**

The accounts of the City are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

In accordance with state statutes, several different types of funds are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business funds – funds financed in whole or in part by fees charged to users of the goods or services.

Agency funds – funds used to report assets held by the City in a purely custodial capacity.

### **Regulatory basis of accounting and departure from accounting principles generally accepted in the United States of America**

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenue and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A.75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

### **Budgetary principles**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for 2017.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, utility reserve funds and the following special purpose funds:

Capital Improvement Fund  
Equipment Reserve Fund

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

### **Compensated absences**

Full-time employees accrue vacation and sick leave benefits based on years of service to the City. Upon termination, unused vacation is paid to employees while accrued sick leave is not. The City records vacation and sick leave benefits as expenditures when paid.

### **Pension plan**

All full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERs), which is a cost sharing multi-employer statewide pension plan. The City's policy is to fund all pension costs as accrued; such costs to be funded are determined annually by the system's actuary.

### **Concentration of credit risk**

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City. The City does not require security deposits for the credit granted to certain utility customers, however, tap fees or hook-up charges are assessed by the City when the utility service is provided.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### Subsequent Events

Subsequent events have been evaluated through February 16, 2018, which is the date the financial statement was available to be issued.

## 2. DEPOSITS AND INVESTMENTS

At December 31, 2017 the City and the Kechi Public Building Commission had the following investments:

<u>Investment Type</u>	<u>Fair Value/ Carrying Amount</u>	<u>Investment Maturity (Years)</u>		<u>Standard &amp; Poor's Rating</u>
		<u>Less than 1</u>	<u>1-2 Years</u>	
Kansas Municipal Investment Pool	\$3,090,691	\$3,090,691	\$ -0-	AAAf/S1+

K.S.A. 9-1401 establishes the depositories, which may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

### Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2017 was 100% in the Kansas Municipal Investment Pool.

## **2. DEPOSITS AND INVESTMENTS (continued)**

### **Custodial credit risk – deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the state of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2017.

At December 31, 2017, the carrying amount of the City's deposits was \$472,286, with the bank balance of such account being \$490,124. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining balance of \$240,124 was collateralized with securities held by the pledging financial institution's agent in the City's name. The fair value of those pledged securities held by the City's custodial investment agencies was \$511,178 at December 31, 2017.

### **Custodial credit risk – investments**

For an investment, this is the risk that, in the even of the failure of the issuer or counterparty, the Municipality will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investment to be adequately secured.

At December 31, 2017, the City and Kechi Public Building Commission had invested \$3,090,691 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The Board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to the principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreement with Kansas banks or with primary government securities dealers.

## **3. PENSION PLAN**

### **Plan description**

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in the

### **3. PENSION PLAN (continued)**

Comprehensive Annual Financial Report that can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

#### **Funding policy**

K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate through March 31, 2016 with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the City were \$52,905 for the year ended December 31, 2017.

#### **Net Pension Liability**

At December 31, 2017, the City's proportionate share of the collective net pension liability reported by KPERS was \$487,753. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in the financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

### **4. OTHER POST EMPLOYMENT BENEFITS**

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the

#### 4. OTHER POST EMPLOYMENT BENEFITS (continued)

applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

#### 5. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2017:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
<b>Primary Government:</b>									
General Obligation Bonds, Series A 2007	3.75-5.90	05-15-07	\$1,496,077	11-01-27	\$ 945,000	—	\$ 80,000	\$ 865,000	\$ 40,943
General Obligation Bonds, Series B 2008	3.00-4.65	09-15-08	575,000	09-15-28	435,000	—	25,000	410,000	19,242
General Obligation Refunding Bonds, Series A 2010	1.25-3.50	08-18-10	1,540,000	09-01-18	245,000	—	120,000	125,000	8,275
General Obligation Refunding and Improvement Bonds, Series A 2011	2.00-4.50	11-22-11	2,040,000	09-01-32	1,815,000	—	80,000	1,735,000	63,545
General Obligation Refunding Bonds, Series A 2015	2.00-3.00	09-15-15	1,675,000	09-01-28	1,525,000	—	155,000	1,370,000	34,850
General Obligation Temporary Improvement Notes, Series A 2016	2.00	06-01-16	185,000	09-01-18	185,000	—	—	185,000	4,625
General Obligation Temporary Improvement Notes, Series B 2016	0.90	10-27-16	1,800,000	09-01-18	<u>1,800,000</u>	<u>—</u>	<u>—</u>	<u>1,800,000</u>	<u>13,680</u>
Total City of Kechi					<u>6,950,000</u>	<u>—</u>	<u>460,000</u>	<u>6,490,000</u>	<u>185,160</u>
<b>Kechi Public Building Commission:</b>									
Public Building Commission Revenue Bonds Series 2005	3.50-5.00	11-01-05	300,000	11-01-26	185,000	—	15,000	170,000	9,033
Public Building Commission Refunding Revenue Bonds Series 2010	2.00-4.75	01-13-10	745,000	08-01-24	<u>455,000</u>	<u>—</u>	<u>50,000</u>	<u>405,000</u>	<u>19,917</u>
Total Kechi Public Building Commission					<u>640,000</u>	<u>—</u>	<u>65,000</u>	<u>575,000</u>	<u>28,950</u>
Total Long-Term Debt					<u>\$7,590,000</u>	<u>\$ —</u>	<u>\$ 525,000</u>	<u>\$ 7,065,000</u>	<u>\$ 214,110</u>

## 5. LONG-TERM DEBT (continued)

### General obligation bonds

General obligation bonds payable consist of serial and term bonds to be retired through calendar year 2032. Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 480,000	\$ 152,210	\$ 632,210
2019	365,000	138,095	503,095
2020	375,000	127,788	502,788
2021	390,000	117,137	507,137
2022	405,000	105,873	510,873
2023	300,000	93,865	393,865
2024	315,000	84,027	399,027
2025	325,000	72,943	397,943
2026	345,000	61,240	406,240
2027	360,000	48,482	408,482
2028	275,000	39,415	314,415
2029	135,000	24,752	159,752
2030	140,000	19,150	159,150
2031	145,000	13,130	158,130
2032	<u>150,000</u>	<u>6,750</u>	<u>156,750</u>
	<u>\$ 4,505,000</u>	<u>\$ 1,104,857</u>	<u>\$ 5,609,857</u>

### Temporary notes payable

Kansas statutes permit the issuance of temporary notes to finance certain capital improvement projects which will be refinanced with general obligation bonds or paid through other resources available to the City. Prior to the issuance of the temporary notes, the governing body must take the necessary legal steps to authorize the issuance of general obligation bonds. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance.

Annual debt service requirements to maturity for the temporary notes are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,985,000	\$ 19,900	\$ 2,004,900

## 6. LONG-TERM DEBT (continued)

### Public Building Commission revenue bonds

During 2004 and 2005, the Kechi Public Building Commission (Commission) issued Improvement Revenue Bonds, the proceeds of which were used to construct new City administration, police and maintenance facilities. The agreement requires the Commission to lease these facilities back to the City of Kechi for an amount necessary to meet the debt service requirement on the outstanding revenue bonds.

During 2010, the Commission issued Series 2010 Refunding Bonds in the principal amount of \$745,000. Proceeds from the 2010 issue were used to retire the outstanding bonds remaining from the 2004 Commission bond issue at the optional call date in 2010.

Debt service requirements to maturity for all outstanding Commission bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 65,000	\$ 26,400	\$ 91,400
2019	65,000	23,710	88,710
2020	70,000	20,880	90,880
2021	75,000	17,775	92,775
2022	80,000	14,328	94,328
2023	85,000	10,597	95,597
2024	90,000	6,575	96,575
2025	20,000	2,250	22,250
2026	<u>25,000</u>	<u>1,250</u>	<u>26,250</u>
	<u>\$ 575,000</u>	<u>\$ 123,765</u>	<u>\$ 698,765</u>

## 6. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2017 capital project authorizations compared with project expenditures from inception are as follows:

	<u>Project authorizations</u>	<u>Expenditures from project inception to December 31, 2017</u>
Eden	\$ 240,000	\$ 155,872
Tigua/Young	2,782,000	1,824,157

## 7. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for 2017 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ —	\$ 50,400
Special Street and Highway	50,400	—
Capital Improvement	25,000	—
Equipment Reserve	30,000	—
Bond and Interest	130,355	—
Waterworks Utility	—	100,000
Sewer Utility	—	130,000
Gas Utility	—	40,000
Waterworks Reserve	14,645	—
Sewer Reserve	50,000	—
Gas Reserve	<u>20,000</u>	<u>—</u>
	<u>\$320,400</u>	<u>\$320,400</u>

## 8. RECLASSIFICATIONS AND COMPARATIVE DATA

The amounts shown for 2016 in the accompanying financial statement are included, where practicable, only to provide a basis for comparison with 2017 and are not intended to present all information necessary for a fair presentation in accordance with the statutory basis of presentation. Certain amounts for 2016 have been reclassified to conform to the presentation of similar amounts for 2017.



## CITY OF KECHI, KANSAS

**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
(BUDGETED FUNDS ONLY)**

For the year ended December 31, 2017

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General Fund	\$ 1,360,863	\$ -	\$ 1,360,863	\$ 1,170,901	\$ 189,962
Special Revenue Funds:					
Special Street and Highway	335,463	-	335,463	230,945	104,518
Debt Service Fund:					
Bond and Interest	636,880	-	636,880	488,131	148,749
Business Funds:					
Waterworks Utility	563,246	-	563,246	492,029	71,217
Sewer Utility	327,259	-	327,259	313,326	13,933
Gas Utility	579,204	-	579,204	402,383	176,821
Recycling / Solid Waste	129,300	-	129,300	129,300	-
Stormwater	10,000	-	-	-	10,000

## CITY OF KECHI, KANSAS

## GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

	Year ended December 31,			
	2017			Variance
	2016 Actual	Actual	Budget	Over (Under)
Cash receipts:				
Ad valorem property tax	\$ 405,618	\$ 615,668	\$ 609,873	\$ 5,795
Vehicle tax	70,684	73,366	68,611	4,755
Local sales tax	300,477	307,255	309,832	(2,577)
Franchise tax	65,881	95,351	62,795	32,556
Fines, fees and permits	151,476	135,482	74,914	60,568
Rents and other	37,352	44,286	36,354	7,932
Interest	4,558	24,110	1,025	23,085
Reimbursed expenditures	<u>29,063</u>	<u>16,830</u>	<u>10,000</u>	<u>6,830</u>
Total cash receipts	<u>1,065,109</u>	<u>1,312,348</u>	<u>\$ 1,173,404</u>	<u>\$ 138,944</u>
Expenditures:				
Administration:				
Personal services	221,785	224,683	\$ 222,955	\$ (1,728)
Contractual services	159,729	143,256	202,100	58,844
Commodities	53,423	38,954	47,750	8,796
Capital outlay	11,538	13,009	86,450	73,441
Lease payments to public building commission	71,667	69,918	69,918	—
Police and court:				
Personal services	329,113	358,786	377,800	19,014
Contractual services	37,265	33,278	37,150	3,872
Commodities	28,678	25,510	27,350	1,840
Capital outlay	—	9,556	8,234	(1,322)
Lease payments to public building commission	24,693	24,032	24,032	—
Street lighting:				
Contractual services	13,737	15,332	26,000	10,668
Economic development:				
Contractual services	—	25,463	42,000	16,537
Transfers out	—	50,400	189,124	138,724
Debt Service	<u>—</u>	<u>138,724</u>	<u>—</u>	<u>(138,724)</u>
Total expenditures	<u>952,913</u>	<u>1,170,901</u>	<u>\$ 1,360,863</u>	<u>\$ 189,962</u>
Cash receipts over expenditures	112,196	141,447		
Cancellation of prior year encumbrances	—	42,615	\$ —	\$ 42,615
Unencumbered cash balance, beginning of year	<u>292,836</u>	<u>405,032</u>	<u>\$ 187,459</u>	<u>\$ 217,573</u>
Unencumbered cash balance, end of year	<u>\$ 405,032</u>	<u>\$ 589,094</u>		

CITY OF KECHI, KANSAS

SPECIAL STREET AND HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET  
REGULATORY BASIS

	Year ended December 31,			
	2017			Variance
	2016			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash receipts:				
State payments-gasoline tax	\$ 52,783	\$ 53,204	\$ 51,440	\$ 1,764
County treasurer-highway fund	22,961	23,786	22,700	1,086
Transfers in	<u>—</u>	<u>50,400</u>	<u>50,400</u>	<u>—</u>
Total cash receipts	<u>75,744</u>	<u>127,390</u>	<u>\$ 124,540</u>	<u>\$ 2,850</u>
Expenditures:				
Personal services	7,490	—	\$ 24,630	\$ 24,630
Contractual services	17,318	206,991	10,000	(196,991)
Commodities	17,957	23,954	55,370	31,416
Capital outlay	<u>—</u>	<u>—</u>	<u>245,463</u>	<u>245,463</u>
Total expenditures	<u>42,765</u>	<u>230,945</u>	<u>\$ 335,463</u>	<u>\$ 104,518</u>
Cash receipts over (under) expenditures	32,979	(103,555)		
Unencumbered cash balance, beginning of year	<u>226,464</u>	<u>259,443</u>	<u>\$ 210,923</u>	<u>\$ 48,520</u>
Unencumbered cash balance, end of year	<u>\$ 259,443</u>	<u>\$ 155,888</u>	<u>\$ —</u>	<u>\$ —</u>

CITY OF KECHI, KANSAS

CAPITAL IMPROVEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash receipts:		
Transfers in	\$ 25,000	\$ 15,000
Expenditures:		
Capital outlay	<u>30,000</u>	<u>2,600</u>
Cash receipts over (under) expenditures	(5,000)	12,400
Unencumbered cash balance, beginning of year	<u>124,932</u>	<u>112,532</u>
Unencumbered cash balance, end of year	<u>\$ 119,932</u>	<u>\$ 124,932</u>

CITY OF KECHI, KANSAS

EQUIPMENT RESERVE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash receipts:		
Transfers in	\$ 30,000	\$ 20,000
Expenditures:		
Capital outlay	<u>30,750</u>	<u>37,271</u>
Expenditures over cash receipts	(750)	(17,271)
Unencumbered cash balance, beginning of year	<u>47,529</u>	<u>64,800</u>
Unencumbered cash balance, end of year	<u>\$ 46,779</u>	<u>\$ 47,529</u>

CITY OF KECHI, KANSAS

BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET  
REGULATORY BASIS

	Year ended December 31,			
		2017		
	2016 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Revenues:				
Ad valorem and vehicle tax	\$ 157,027	\$ 25,379	\$ 22,593	\$ 2,786
Special assessments	438,391	332,187	301,950	30,237
Transfers from other funds	<u>134,787</u>	<u>130,355</u>	<u>269,079</u>	<u>(138,724)</u>
Total cash receipts	<u>730,205</u>	<u>487,921</u>	<u>\$ 593,622</u>	<u>\$ (105,701)</u>
Expenditures:				
Principal	445,000	321,276	\$ 460,000	\$ 138,724
Interest	179,125	166,855	166,855	–
Miscellaneous	<u>–</u>	<u>–</u>	<u>10,025</u>	<u>10,025</u>
Total expenditures	<u>624,125</u>	<u>488,131</u>	<u>\$ 636,880</u>	<u>\$ 148,749</u>
Cash receipts over (under) expenditures	106,080	(210)		
Unencumbered cash balance, beginning of year	<u>35,180</u>	<u>141,260</u>	<u>\$ 43,258</u>	<u>\$ 98,002</u>
Unencumbered cash balance, end of year	<u>\$ 141,260</u>	<u>\$ 141,050</u>		

CITY OF KECHI, KANSAS

CAPITAL PROJECT FUND - EDEN

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash receipts:		
Debt issue proceeds	\$ <u>          —</u>	\$ <u>185,000</u>
Expenditures:		
Debt issue costs	<u>          —</u>	<u>13,565</u>
Capital outlay	<u>          —</u>	<u>142,607</u>
Total expenditures	<u>          —</u>	<u>155,872</u>
Cash receipts over expenditures	<u>          —</u>	<u>29,128</u>
Unencumbered cash balance, beginning of year	<u>29,128</u>	<u>          —</u>
Unencumbered cash balance, end of year	<u>\$ 29,128</u>	<u>\$ 29,128</u>

CITY OF KECHI, KANSAS

CAPITAL PROJECT FUND – TIGUA/YOUNG

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash receipts:		
Debt issue proceeds	\$ –	\$1,800,000
Reimbursements	<u>804,666</u>	<u>–</u>
Total cash receipts	<u>804,666</u>	<u>1,800,000</u>
Expenditures:		
Debt issue costs	–	28,501
Interest	18,305	–
Capital outlay	<u>1,421,931</u>	<u>364,150</u>
Total expenditures	<u>1,440,236</u>	<u>392,651</u>
Cash receipts over (under) expenditures	(635,570)	1,407,349
Unencumbered cash balance, beginning of year	<u>1,407,349</u>	<u>–</u>
Unencumbered cash balance, end of year	<u>\$ 771,779</u>	<u>\$1,407,349</u>



CITY OF KECHI, KANSAS

WATERWORKS UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET  
REGULATORY BASIS

	Year ended December 31,			
		2017		
	2016			Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u> <u>(Under)</u>
Cash receipts:				
Sales of services	\$ 432,663	\$ 473,636	\$ 440,410	\$ 33,226
Connection fees	62,583	39,147	10,000	29,147
Other	<u>3,542</u>	<u>4,921</u>	<u>5,000</u>	<u>(79)</u>
Total cash receipts	<u>498,788</u>	<u>517,704</u>	<u>\$ 455,410</u>	<u>\$ 62,294</u>
Expenditures:				
Personal services	147,808	149,425	\$ 158,200	\$ 8,775
Contractual services	9,904	8,434	63,796	55,362
Commodities	183,141	233,010	238,750	5,740
Capital outlay	–	1,160	2,500	1,340
Transfers to other funds	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>–</u>
Total expenditures	<u>440,853</u>	<u>492,029</u>	<u>\$ 563,246</u>	<u>\$ 71,217</u>
Cash receipts over expenditures	57,935	25,675		
Unencumbered cash balance, beginning of year	<u>166,040</u>	<u>223,975</u>	<u>\$ 175,273</u>	<u>\$ 48,702</u>
Unencumbered cash balance, end of year	<u>\$ 223,975</u>	<u>\$ 249,650</u>	<u>\$ 67,437</u>	<u>\$ 182,213</u>

CITY OF KECHI, KANSAS

SEWER UTILITY FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET  
REGULATORY BASIS**

	Year ended December 31,			
		2017		
	2016 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash receipts:				
Sales of services	\$ 243,650	\$ 253,671	\$ 240,000	\$ 13,671
Connection fees	76,500	36,000	12,000	24,000
Other	<u>2,233</u>	<u>3,354</u>	<u>—</u>	<u>3,354</u>
Total cash receipts	<u>322,383</u>	<u>293,025</u>	<u>\$ 252,000</u>	<u>\$ 41,025</u>
Expenditures:				
Personal services	54,919	56,867	\$ 57,000	\$ 133
Contractual services	22,066	20,645	68,109	47,464
Commodities	54,731	105,814	71,650	(34,164)
Capital outlay	—	—	500	500
Transfers to other funds	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>—</u>
Total expenditures	<u>261,716</u>	<u>313,326</u>	<u>\$ 327,259</u>	<u>\$ 13,933</u>
Cash receipts over (under) expenditures	60,667	(20,301)		
Unencumbered cash balance, beginning of year	<u>147,507</u>	<u>208,174</u>	<u>\$ 137,831</u>	<u>\$ 70,343</u>
Unencumbered cash balance, end of year	<u>\$ 208,174</u>	<u>\$ 187,873</u>	<u>\$ 62,572</u>	<u>\$ 125,301</u>

CITY OF KECHI, KANSAS

GAS UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET  
REGULATORY BASIS

	Year ended December 31,			
		2017		
	2016 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash receipts:				
Sales of services	\$ 304,262	\$ 371,862	\$ 500,000	\$(128,138)
Connection fees	41,189	28,599	10,000	18,599
Other	<u>2,481</u>	<u>4,053</u>	<u>6,000</u>	<u>(1,947)</u>
Total cash receipts	<u>347,932</u>	<u>404,514</u>	<u>\$ 516,000</u>	<u>\$(111,486)</u>
Expenditures:				
Personal services	134,170	137,260	\$ 140,910	\$ 3,650
Contractual services	17,196	15,442	27,794	12,352
Commodities	186,320	208,521	368,250	159,729
Capital outlay	–	1,160	2,250	1,090
Transfers to other funds	<u>–</u>	<u>40,000</u>	<u>40,000</u>	<u>–</u>
Total expenditures	<u>337,686</u>	<u>402,383</u>	<u>\$ 579,204</u>	<u>\$ 176,821</u>
Cash receipts over expenditures	10,246	2,131		
Unencumbered cash balance, beginning of year	<u>71,144</u>	<u>81,390</u>	<u>\$ 119,862</u>	<u>\$ (38,472)</u>
Unencumbered cash balance, end of year	<u>\$ 81,390</u>	<u>\$ 83,521</u>	<u>\$ 56,658</u>	<u>\$ 26,863</u>

CITY OF KECHI, KANSAS

RECYCLING / SOLID WASTE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET  
REGULATORY BASIS

	Year ended December 31,			
		2017		
	2016 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash receipts:				
Sales of services	\$ <u>135,073</u>	\$ <u>148,104</u>	\$ <u>126,000</u>	\$ <u>22,104</u>
Expenditures:				
Personal services	–	992	\$ 2,300	\$ 1,308
Commodities	–	1,055	–	(1,055)
Contractual services	<u>122,091</u>	<u>127,253</u>	<u>127,000</u>	<u>(253)</u>
Total expenditures	<u>122,091</u>	<u>129,300</u>	<u>\$ 129,300</u>	<u>\$ –</u>
Cash receipts over expenditures	12,982	18,804		
Unencumbered cash balance, beginning of year	<u>18,321</u>	<u>31,303</u>	<u>\$ 20,821</u>	<u>\$ 10,482</u>
Unencumbered cash balance, end of year	<u>\$ 31,303</u>	<u>\$ 50,107</u>	<u>\$ 17,521</u>	<u>\$ 32,586</u>

CITY OF KECHI, KANSAS

STORMWATER

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET  
REGULATORY BASIS

	Year ended December 31,			
		2017		
	2016 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash receipts:				
Sales of services	\$     —	\$     —	<u>\$ 25,000</u>	<u>\$ (25,000)</u>
Expenditures:				
Contractual services	<u>—</u>	<u>—</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Cash receipts over expenditures	—	—		
Unencumbered cash balance, beginning of year	<u>—</u>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>
Unencumbered cash balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15,000</u>	<u>\$ (15,000)</u>

CITY OF KECHI, KANSAS

WATERWORKS RESERVE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash receipts:		
Transfers from other funds	\$ <u>14,645</u>	\$ <u>75,000</u>
Expenditures:		
Capital outlay	76,284	28,250
Transfer to other funds	<u>—</u>	<u>60,355</u>
Total expenditures	<u>76,284</u>	<u>88,605</u>
Expenditures over cash receipts	(61,639)	(13,605)
Unencumbered cash balance, beginning of year	<u>205,220</u>	<u>218,825</u>
Unencumbered cash balance, end of year	<u>\$143,581</u>	<u>\$205,220</u>

CITY OF KECHI, KANSAS

SEWER RESERVE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

	Year ended December 31,	
	<u>2017</u>	<u>2016</u>
Cash receipts:		
Transfers from other funds	\$ <u>50,000</u>	\$ <u>60,000</u>
Expenditures:		
Capital outlay	4,455	97,570
Transfers to other funds	<u>—</u>	<u>14,432</u>
Total expenditures	<u>4,455</u>	<u>110,002</u>
Cash receipts over (under) expenditures	45,545	(50,002)
Unencumbered cash balance, beginning of year	<u>113,769</u>	<u>163,771</u>
Unencumbered cash balance, end of year	<u>\$159,314</u>	<u>\$113,769</u>

CITY OF KECHI, KANSAS

GAS RESERVE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

	Year ended December 31,	
	<u>2017</u>	<u>2016</u>
Cash receipts:		
Transfers from other funds	\$ 20,000	\$ —
Expenditures:		
Capital outlays	<u>46,171</u>	<u>10,928</u>
Expenditures over cash receipts	(26,171)	(10,928)
Unencumbered cash balance, beginning of year	<u>103,228</u>	<u>114,156</u>
Unencumbered cash balance, end of year	<u>\$ 77,057</u>	<u>\$103,228</u>



## CITY OF KECHI, KANSAS

KECHI PUBLIC BUILDING COMMISSION  
RELATED MUNICIPAL ENTITYSCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash receipts:		
Lease payments from the City of Kechi	\$ 93,950	\$ 96,360
Interest	<u>31</u>	<u>3</u>
Total receipts	<u>93,981</u>	<u>96,363</u>
Expenditures:		
Principal	65,000	65,000
Interest	<u>28,950</u>	<u>31,360</u>
Total expenditures	<u>93,950</u>	<u>96,360</u>
Cash receipts over expenditures	31	3
Unencumbered cash balance, beginning of year	<u>882</u>	<u>879</u>
Unencumbered cash balance, end of year	<u><u>\$ 913</u></u>	<u><u>\$ 882</u></u>

## CITY OF KECHI, KANSAS

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS – ALL AGENCY FUNDS  
REGULATORY BASIS**

**Year ended December 31, 2017**

	Beginning Cash Balance January 1, <u>2017</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash Balance December 31, <u>2017</u>
Meter Deposit Fund	<u>\$55,876</u>	<u>\$ 11,557</u>	<u>\$ 21,363</u>	<u>\$46,070</u>